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Saving Money and Protecting the Environment Through More Efficient Energy Use

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August 8, 2014

Bob Stump, Chairman
Gary Pierce, Commissioner
Brenda Burns, Commissioner
Susan Bitter Smith, Commissioner
Bob Burns, Commissioner

Arizona Corporation Commission
DOCKETED
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Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

ORIGINAL

Re: E-00000J-13-0375, In the matter of the Commission's Inquiry into Potential Impacts to the Current Utility Model Resulting from Innovation and Technological Developments in Generation and Delivery of Energy.

At the April 25, 2014, Innovations and Technological Developments workshop, Commissioners Bob Burns and Susan Bitter Smith requested follow-up information on the purpose and status of interconnection rules in Arizona.

The Southwest Energy Efficiency Project (SWEEP) is pleased to provide the attached document that provides information in response to this request.

Respectfully submitted this 8th day of August 2014 by:

Jeff Schlegel Ellen Zuckerman

Jeff Schlegel & Ellen Zuckerman
Southwest Energy Efficiency Project

ORIGINAL and thirteen (13) copies filed this 8th day of August 2014, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street

SWEEP

SOUTHWEST ENERGY EFFICIENCY PROJECT

Saving Money and Protecting the Environment Through More Efficient Energy Use

The Status of Interconnection Rules in Arizona

The Purpose of Interconnection Rules

Statewide, standardized interconnection rules provide clear and uniform processes and technical requirements for safely connecting new distributed energy systems, such as combined heat and power (CHP), to the electric utility grid. A streamlined interconnection process reduces uncertainty, prevents delays, and ensures that the requirements are appropriate for the size, scope, and technology of systems under consideration. The absence of interconnection rules can make it difficult for distributed energy projects to progress. Indeed without enforceable rules in place, distributed energy projects can face a patchwork of utility-by-utility requirements and procedures that can be time consuming, costly, or confusing.

The Benefits of Combined Heat and Power

CHP can provide large businesses and industries in Arizona with more control over their energy decisions, increased ability to manage their own energy supply, more options for reducing their energy costs, and greater assurance of high reliability. The economic advantages and potential cost savings from CHP and other improvements to energy efficiency allow Arizona businesses to invest more money in jobs, exports, and innovation. Arizona citizens also benefit from stronger, more resilient electricity infrastructure and reduced overall air emissions.

The Status of Interconnection Rules in Arizona

The effort to develop standardized rules for interconnection made significant progress in Arizona from 2005-2006.[1] From July 2005 to March 2006, the Commission convened a series of Staff-led workshops to develop standards.[2] Participants included Arizona Public Service Company, Tucson Electric Power Company, Salt River Project, Southwest Gas, several co-ops, Arizonans for Electric Choice and Competition, the City of Scottsdale, trade groups, project developers, and nonprofits. Despite a "difficult"[3] process that began with different perspectives and priorities, the group reached agreement

[1] See ACC Docket E-00000A-99-0431 for information. For a complete process summary see ACC Decision No. 69674: http://images.edocket.azcc.gov/docketpdf/0000074361.pdf.

[2] ACC Decision No. 67444 directed Staff to schedule the workshops. For minutes from the July 8, 2005, workshop see: http://www.azcc.gov/divisions/utilities/electric/7-8-05Minutes1.pdf; For minutes from the August 26, 2005, workshop see: http://www.azcc.gov/divisions/utilities/electric/DG-08-26-05min.pdf; For minutes from the September 23, 2005, workshop see: http://www.azcc.gov/divisions/utilities/electric/DG-09-23-05min.pdf; For minutes from the October 21, 2005, workshop see: http://www.azcc.gov/divisions/utilities/electric/DG-10-21-05min.pdf; For minutes from the November 18, 2005, workshop see: http://www.azcc.gov/divisions/utilities/electric/DG-11-18-05min.pdf; For minutes from the December 15, 2005, workshop see: http://www.azcc.gov/divisions/utilities/electric/DG-12-15-05min.pdf; For minutes from the March 17, 2006, workshop see: http://www.azcc.gov/divisions/utilities/electric/DG-03-17-06min.pdf.

[3] See Commission Staff, "Staff Report on Interconnection as a result of the generic investigation of distributed generation," http://images.edocket.azcc.gov/docketpdf/0000065951.pdf.

on significant portions of a standard, including processes, procedures, timelines, and technical requirements of interconnection.

In January 2007, Commission Staff offered recommendations on the remaining issues for which the group did not reach agreement.[4] In Decision No. 69674, the Commission decided on these remaining issues and approved a modified version of the PURPA standard on interconnection. This decision directed all electric distribution utilities regulated by the Commission to interconnect distributed energy projects using the standard as a "guide."[5] That decision also directed Staff to begin a rulemaking process to issue final rules.[6]

A rulemaking docket was established in October 2007,[7] and Staff began work to draft final rules.[8] However as of 2014, final rules have not been adopted. As a result, Arizona is one of about a dozen states without statewide, standardized interconnection rules.[9]

Recommendation for Next Steps

SWEEP has heard anecdotally that a lack of final rules is causing confusion and making project development more challenging for some CHP developers and adopters. To that end, SWEEP encourages the Commission to explore next steps to finalize the rulemaking. SWEEP also has concerns that the 2006 guide is out of date, as engineering expertise, technical protocols, and safety standards have significantly advanced in recent years. One approach for the Commission to consider would be to adopt as final rules the most current model interconnection standards released by the Interstate Renewable Energy Council (IREC) — the "2013 Model Interconnection Procedures."[10] These model procedures have similar processes to those in the guide developed by the ACC workshop participants, but are brought up to date with technical and safety advancements since 2006. For example, they have screening procedures to rapidly approve very simple, straightforward, small inverter-based systems, and a series of clear steps and procedures for larger, more complex systems. They also include safety requirements for all system sizes. Notably, these procedures are based on best practices in dozens of other states, and have been tested and proven.

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[4] Ibid.
[5] See ACC Decision No. 69674, Page 4, Lines 15-22: http://images.edocket.azcc.gov/docketpdf/0000074361.pdf.
[6] See ACC Decision No. 69674, Page 27, Lines 1-2: http://images.edocket.azcc.gov/docketpdf/0000074361.pdf.
[7] See ACC Docket No. RE-00000A-07-0609, "In the matter of the Notice of Proposed Rulemaking regarding Interconnection of Distributed Generation Facilities."
[8] Conversation with Commission Staff, June 2014.
[9] See Interstate Renewable Energy Council, "Freeing the Grid: Best Practices in State Net Metering Policies and Interconnection Procedures," http://freeingthegrid.org/wp-content/uploads/2013/11/FTG_2013.pdf.
[10] See: See: www.irecusa.org/wp-content/uploads/2013-IREC-Interconnection-Model-Procedures.pdf.